



Statement of Accounts 2019/20

(Draft subject to Audit)

Audit Committee

23rd July 2020

Purpose & Content

- » Present the Council's draft Statement of Accounts 2019/20 to Committee
- » Brief overview of the Council's Statement of Accounts and advise on the roles and responsibilities of members in the process
- » Headlines & links to Revenue and Capital Budget Monitoring reports
- » Changes to the Statement of Accounts for 2019/20 & Group Accounts
- » Timelines and next steps

Purpose and Background of the Accounts

- » Provide clear information to all interested parties about the Council's finances.
- » Information includes:
 - » Costs of providing services in the year of account
 - » How those costs have been funded
 - » Assets and liabilities at year end
- » Prescribed format and style to enable comparisons with other local authorities and other organisations.
- » Aimed at 'the Reader'

Contents and Overview of SofA

- » Narrative Report
- » Statement of Responsibilities
- » Core Statements
- » Notes to the Core Statements
- » Housing Revenue Account (HRA) Statements and Notes
- » Statement of Accounting Policies
- » Group Accounts
- » Independent Auditor's Report
- » Annual Governance Statement

Responsibility for the Accounts

- » **Statement does not belong to Finance** - Corporate document – “owned” by every member and officer of the Council

- » **Statement of Responsibilities**
 - » Authority
 - » Chief Finance Officer

- » **Statement of Accounts is signed by:**
 - » Chair of the Council
 - » Chief Finance Officer

Accounts Governance Group

- » Group of senior officers established to oversee and support the production of the Statement of Accounts at a strategic level.
- » Group has been very effective, resulting in positive benefits including:
 - » Ability to raise issues for escalation and resolution at an early stage
 - » Raising awareness of, and increasing collective responsibility for, the Statement of Accounts
- » Group will continue to meet through the audit period with Audit Wales representation

Links to Budget Monitoring

» **Statement of Accounts**

- » Financial Accounting
- » Externally focused reporting
- » Style reflective of the Code of Practice, Regulations, and Accounting Standards.

» **Budget Monitoring**

- » Management Accounting
- » Internally focused reporting on performance against budget
- » Style reflects the Council's reporting needs – locally determined

Headlines – Council Fund

- » Budget requirement 2019/20 £271.350m.
- » Expenditure at outturn £271.319m, and financing at outturn of £271.758m.
- » Underspend on expenditure at outturn was £.031m, and surplus on Council Tax Collection was £0.408m.
- » Combined total £0.439m – Equates to 0.2% of net budget (within target PI range of 0.5%).
- » Further information in Revenue Budget Monitoring 2019/20 (Outturn) report to Cabinet 16th June 2020.

Headlines – Revenue Reserves

| Revenue Reserves | 2018/19 £m | 2019/20 £m |
|----------------------------|---------------|---------------|
| Council Fund (Unearmarked) | 14,020 | 11,025 |
| Earmarked | 11,979 | 13,181 |
| Schools | 1,335 | 112 |
| HRA | 2,221 | 2,889 |
| Total | 29,555 | 27,207 |

Headlines - Capital

| | Budget £m | Outturn £m | Over / (Under) Spend £m | Budget v Outturn % |
|-----------------|----------------------|-----------------------|--|-----------------------------------|
| Council Fund | 41.611 | 33.230 | (8.381) | 80% |
| HRA | 29.783 | 29.783 | 0.000 | 100% |
| Total | 71.394 | 63.013 | (8.381) | 88% |

Headlines – Housing Revenue Account

| | |
|--|----------|
| » Revised budget | £36.514m |
| » Spend above budget | £0.061m |
| » Income above budget | £0.061m |
| » Net spend above budget | £0.000m |
| | |
| » Closing balance as at 31.3.2019 (General and specific HRA reserves) | £2.889m |
| » % of revised budgeted expenditure | 7.91% |

Changes to the SofA for 2019/20

- » No significant changes made to 2019/20 Statement of Accounts.
- » Only very minor amendments made to Accounting Policies.
- » Delay in introduction of IFRS 16 until next year – this will have a potentially significant impact

Group Accounts

- » Group consists of the Council and its 3 subsidiaries:
 - » North East Wales Homes Limited (NEW Homes)
 - » Newydd Catering & Cleaning Limited
 - » Theatr Clwyd Productions Limited

- » 3 subsidiaries set up with the same accounting year end as the Council and follow the same Accounting Policies as far as possible.

- » Consolidation includes removing 'Intra Group' transactions and combining remaining balances.

Group Accounts

- » Each subsidiary produces a set of final accounts in accordance with Companies Act, which are then independently audited and presented to the relevant boards for approval.
- » Process and timetable overseen by Accounts Governance Group.
- » WA audit the Group Accounts and will consider the work of the subsidiaries auditors.
- » Companies set up with Council having a high level of control over activities e.g. approving strategic business plans, appointing Directors, retention / distribution of financial surplus, etc.
- » Internal Auditing – Council's Internal Audit Team.

Impact of COVID-19

- » The accounts are up to 31st March 2020 and the pandemic was then in its early stages
- » The Narrative Report in the accounts refers to actions we are taking to mitigate the financial impacts of the pandemic including ring fencing £3m of the contingency reserve, monitoring budgets and plans and accessing emergency funding.
- » The risk on the Pension Liability was recognised, leading to discussions with the CPF Actuary on potential impact on the IAS 19 valuation
- » The risk on PPE valuation was recognised mitigated by the timing of the pandemic and the nature of the assets

Timeline and Next Steps

| | |
|--|----------------------------------|
| CFO approves draft accounts | 15th June |
| Audit Committee considers draft (approval not required at this stage) | 23 rd July |
| External audit commenced | 22nd June |
| Accounts Available for Public Inspection | 3 rd August |
| External audit report findings to those charged with governance | 9 th September |
| Final audited Accounts approved by Audit Committee | 9 th September |
| Opinion signed by Auditor General | By 15 th September |
| Audited Accounts published | By 15 th September |

Impact of Earlier Deadlines

- » Deadlines for publishing Statement of Accounts are being brought forward:

2020/21

Draft 31st May

Final 31st July

- » To meet tighter deadlines the accounts will have to be produced with more reliance placed on estimated data and the concept of being materially correct.
- » Accountants and auditors focus on the risk to the accounts of material misstatement.
- » Materiality – by value or by nature.
- » Material misstatements - those that might result in a reader of the accounts being misled.

Clwyd Pension Fund Accounts

- » Up until 2016/17 it was a requirement that the Statement of Accounts included Clwyd Pension Fund Accounts.
- » Changes to the Regulations in 2017/18 meant that this is no longer the case.
- » The Clwyd Pension Fund Accounts now follow a different approval route, normally being
 - » Considered at Pension Committee in June
 - » Considered at Audit Committee in July
 - » Approved by Pension Committee as part of the CPF in October

Clwyd Pension Fund Accounts

- » This year, the accounts have been signed off by the Section 151 Officer in June
- » They will be distributed to members of the Pension Fund Committee during the summer who will be invited to contact officers with queries and issues arising (with a virtual meeting with members arranged if necessary).
- » The results of this process will be fed back to the Audit Committee in September
- » They will be approved by Pension Committee in October after the completion of the audit.